



# Q & A for Changes to Water & Sewer Rates

July 2012

**Background Info:** On May 15, 2012, Scottsdale City Council approved changes to **water rate structures and how rates are calculated**. The new structures, which begin on July 1, 2012, have up to five tiers compared with the current three tier structure - which ends on June 30, 2012. Some residents and businesses may see an increase or decrease in their water service costs depending on the amount of water used monthly.

**No changes to how sewer rates** are calculated were made for FY12/13. However, the following modifications were made:

- Create a new customer classification for non-compliant sewer discharges
- Introduce new definitions which will help to determine the proper classification for certain sewer customers:
  - "Food Service Establishments"
  - "Mixed Use Developments"
  - "Non Compliant"
- Require that customers appealing a sewer charge determination must file a "Sewer Usage Fee Adjustment Form"
- A customer may also appeal a sewer classification determination in writing

## **Q: Why did you change the water rate structure in the first place?**

**A:** Scottsdale's Water Resources is required to update their five-year financial plan every year. This ensures that any rate adjustments generate enough revenues to cover the costs of providing water and sewer service to customers. It also ensures that Water Resources maintain adequate cash reserves which are outlined in the city's financial policies.

Part of this update included a Cost of Service Study which evaluated the current water and sewer structures to determine a fair and equitable method for all customers (residential, multi-family and commercial) for developing rates.

The Cost of Service Study found that the current water rate structure was NOT equitable for customers with the current tier structure. The updated rate structure, which begins July 1, 2012, will:

- Promote equitable costs based on the demands each customer places on the system
- Balance conservation-oriented prices with financial stability
- Simplify the rate structures

## **Q: How do these water rate changes impact me?**

**A:** The current 3-tier structure is being changed to a 5-tier structure for residential customers, and a 4-tier structure for multi-family and commercial customers. These changes provide equity for all customer classifications. In addition to a base fee customers are charged a usage fee based on the amount of water they use each month. The more water a customer uses, the more they are charged. If a customer uses less water, their water charges will be less.

Please see our rate calculation webpage to see impacts to your monthly utility bill.

## **Q: What is the new rate structure and when does it go into effect?**

**A:** The new rate structure begins on July 1, 2012. The chart below describes the new water rate structure and can also be found online at [scottsdaleaz.gov/Water/Rates](http://scottsdaleaz.gov/Water/Rates) (NOTE: sewer rates can be found here as well.)

**\*\*Base fees for each meter size have been reduced.**

**\*\*The stormwater charge will now be listed as a separate line item on the bill. Previously, the stormwater charge was included in the base fees and usage charges. The stormwater fee goes directly to the city’s General Fund to support citywide drainage.**

BASE FEES	
All Customer Classes	
Meter Size	Monthly Base Fee
5/8"	\$10.75
3/4"	\$14.00
1"	\$20.00
1 1/2"	\$25.00
2"	\$35.00
3"	\$45.00
4"	\$100.00
6"	\$200.00
8"	\$300.00

COMMODITY RATES – TIER STRUCTURE			
Single Family Residential			
Tier #	Rate per 1,000 Gallons	Gallons of Use	
		From	To
1	\$1.80	0	5,000
2	\$2.90	5,001	12,000
3	\$3.50	12,001	40,000
4	\$4.50	40,001	70,000
5	\$5.00	Over 70,000	

Multi-family and Nonresidential			
1	\$1.80	0	2,500
2	\$2.80	2,501	6,000
3	\$3.40	6,001	20,000
4	\$3.70	Over 20,000	

**Q: How were the tiers established for residential water rates?**

**A:** The first tier (0 to 5,000 gallons) is considered indoor use plus some for outdoor water use. Scottsdale’s first tier is slightly higher than the typical community. Most cities and towns set a first tier closer to 2,000 gallons.

The second tier (5,001 to 12,000 gallons) is set near a ‘natural breaking point’ since this is the typical median residential usage (11,500 gallons) used by a Scottsdale customers with a 5/8” water meter. The ‘natural breaking points’ are based on the last four years of historical water use by Scottsdale residential customers.

The third tier (12,001 to 40,000 gallons) is set at a second ‘natural breaking point’. Eighty percent of Scottsdale’s residential customer bills will fall into tiers one through three. Each of the ‘natural breaking points’ use the last four years of historical water use for Scottsdale customers.

The fourth tier (40,001 to 70,000 gallons) bridges the gap between the third tier and the fifth tier.

The fifth tier (over 70,000 gallons) is designed to capture the top 5% of residential water bills in the city.

Having five tiers provides residents increased opportunities to lower their monthly water bills by reducing their monthly water consumption.

**Q: Why is the residential rate structure different from the multi-family and commercial rate structure?**

**A:** The cost of service study highlighted the costs of providing services to customer classes, i.e. residential, multi-family and non-residential customers. Because customer classes drive different levels of costs in the systems, it was more equitable to develop different rate structures. For example, residential customers have peak deliveries each morning (showers, landscape watering, etc.) which requires larger size pipes, storage facilities and other expenses to accommodate this service characteristic as opposed to commercial deliveries that are relatively constant.

**Q: What is the Stormwater charge? Is this a new fee?**

**A:** The stormwater charge is not a new fee but now appears as a separate charge on your monthly bill. Previously, the stormwater charge was included in the base fees and usage charges.

The stormwater charge is a requirement by the State of Arizona Department of Environmental Quality. The fee is used to develop and maintain a citywide cost-effective and efficient drainage system. More information on stormwater and floodplains is available at [scottsdaleaz.gov/stormwater](http://scottsdaleaz.gov/stormwater).

**NOTE** – This fee does not establish a stormwater utility for the city of Scottsdale. This fee goes directly to the city's General Fund to support citywide drainage and is exempt from city sales tax.

**Q: What is the benefit of this new structure?**

**A:** Customers benefit from the new structure by having consistent tier break points and equitable costs per unit no matter water meter size you have on your property. The new structure is also more user- friendly. Additionally, customers with low water use will see slightly lower water bills. This will be offset by customers in the higher water tier rates. In other words, the new structure shifts costs away from low water users and reallocates them to high water users.

**Q: Is the city making money on these changes?**

**A:** No. These structural changes are designed to be revenue neutral. The Water Resources Division is organized as an Enterprise Fund which is designed to be self sustaining and recovers 100 percent of the operating and capital costs needed to provide water and sewer service. Water Resources receives no money from the city's General Fund.

**Q: What can I do to reduce my water use to lower my monthly bill?**

**A:** Scottsdale's Water Conservation Office has a variety of information, programs and rebates to help you be more efficient with your water use. Typically up to 70% of all water use is for outdoor watering – landscapes, grass, trees, shrubs and flowers. Learn more at [scottsdaleaz.gov/water/conservation](http://scottsdaleaz.gov/water/conservation) or by calling 480-312-5650.

Water Conservation Programs include:

- Self Water Audit Guide and Kit
- Rebates for low-water use toilets, faucets and showerheads
- Rebates for Irrigation/Sprinkler Controllers
- Turf removal rebates
- Outdoor water use assistance and information

**Q: Does conserving water city-wide help keep my monthly bills low?**

**A:** Yes. If each Scottsdale water customer does their part to conserve water every day, it reduces overall city demands for water. The less water that is produced each day postpones or even prevents the need for costly facility expansions, improvements or replacement of equipment. These types of expenses contribute to increases in both water and sewer rates. So using less water every day not only preserves more water for the future, it reduces the potential for rate increases.

**Q: How come I wasn't aware of any of these changes?**

**A:** Extensive public outreach was conducted beginning in March 2011. (*NOTE - Underlined words and phrases in this section are hyperlinks to reports and presentations.*) Highlights include:

- Meetings with residents and business owners when requested
- Distributed news releases resulting in numerous newspaper articles in the AZ Republic
- Numerous items in Scottsdale Update, the city's electronic newsletter
- Dedicated webpage for water and sewer rates, including an online survey (from Dec. 2011 – Jan. 2012)

Additional outreach efforts include:

**March 2011** - City Council approved a contract with Financial Consulting Solutions Group, (FCS Group) to assist in conducting a Cost of Service study for water and sewer rates. Scottsdale conducted its last cost of service study in 2002. The goal of the study was to ensure equity for all customers and to enhance water conservation efforts.

**Dec. 2011** – All residents who receive a monthly Utility Services bill by mail were notified of public meetings in Jan. 2012

**Jan. 2012** – Public meetings were scheduled on Jan. 9 from 5 – 7 p.m. at the Granite Reef Senior Center and Jan. 11 from 4 – 6 p.m. at the Civic Center Library. View the January [Public Meeting Presentation](#)

**Feb. 2012** – Public Open Houses were scheduled on Feb. 29 from 8 – 10 a.m. and 2:30 – 4:30 p.m. at the Civic Center Library and catered specifically to food service establishments. View the February Open House [Display Boards](#).

**March 2012** – A presentation to City Council was presented on March 15. Review the [agenda](#) or [color presentation](#). Read the [minutes](#) from this meeting.

**April 2012** - On April 3, a Notice of Intent to modify City Code regarding water rate structures was on the City Council agenda for approval - Item 16 - Consent Agenda. Read the [City Council Report](#). Read the [Water & Sewer Rate Report](#) for Fiscal Year 2012-2013.